



**Director of  
Central  
Intelligence**

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# National Intelligence Daily

**Wednesday  
9 September 1987**

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CPAS NID 87-210JX

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**LIBYA:****Trying To Enlist Arab Support in Chad**

**Libya is seeking military instructors and troops from Arab allies to support its combat capabilities in Chad and to lend credibility to the war effort there.** [redacted]

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*France*

*reportedly*  
The US Embassy in Damascus reports that a Syrian delegation in Libya refused a request for combat assistance—including MIG-23 pilots—to help recover Aozou village. Libyan leader Qadhafi also asked North Yemeni President Salih to provide an infantry battalion last month, but Salih refused. He did, however, agree to allow Tripoli to recruit volunteers. [redacted] In addition, ~~the US Embassy in Sanaa reports that~~ former South Yemeni Air Force personnel living in North Yemen have agreed to serve with the Libyan Air Force and that one group of 63 exiles departed Sanaa for Libya last month. [redacted] *reportedly*

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[redacted] US defense attache reporting indicate that Fatah air force personnel in Iraq, North Yemen, ~~Sudan, and Yugoslavia are being transferred to Libya.~~ [redacted]

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**Comment:** Qadhafi could use the foreign military personnel in either direct combat roles or in support roles that would free Libyan forces in the north for duty in Chad. The addition of such troops would not significantly enhance Libya's ability to prosecute the war, however.

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Syria and North Yemen almost certainly are reluctant to commit their own forces to fight for Qadhafi in Chad because they do not believe it is a cause that is worth losing men. Sanaa, however, apparently is willing to allow the Libyans to recruit volunteers—including limited numbers of South Yemeni exiles—in order to maintain good relations with Tripoli. Damascus might also send a small number of instructors. ~~The transfer of PLO personnel probably is part of a reconciliation effort between Qadhafi and PLO Chairman Arafat. It is possible but unlikely that an agreement would involve the use of Palestinian pilots in Chad.~~ [redacted]

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**CHINA:****Zhao Outlines Controversial Reforms**

***China's 13th Party Congress, scheduled to convene late next month, will endorse new guidelines that allow reformers to accelerate implementation of market-oriented policies, according to Acting General Secretary Zhao Ziyang.***

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In a meeting last week, Zhao told a former senior US official that the policy document to be issued at the Congress will argue that China's economic reforms cannot be bound by Marxist ideology and that many elements of a market economy, such as private ownership of stock, are permissible. According to Zhao, the document will also contend that the use of monetary and fiscal policies to guide the economy—rather than detailed central planning—is compatible with Chinese socialism. Despite a strong endorsement of the reform record, Zhao implied that the report will admit price reforms in the past two years have caused economic dislocations and will call for a slow, cautious approach to further price decontrols.

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In a separate meeting last week, a senior proreform official claimed that the Congress will approve expansion of the private sector. For the first time, the party reportedly will endorse the creation of large-scale private enterprises to compete with state factories. The official claimed that new trade reforms also will be approved—including elimination of export and import subsidies for China's foreign trade corporations.

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**Comment:** Reformers undoubtedly hope that the Congress's endorsement of new ideological guidelines will protect them from continued sniping by orthodox officials who claim that expanding private ownership in the economy and reducing the scope of central planning are incompatible with socialism. However, Zhao admitted that the proposed guidelines are controversial, and party conservatives are likely to use the weeks remaining before the Congress to muster support for a more watered-down document.

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**Nicaragua: 1987 Crude Oil Supplies***Thousands of barrels*

<b>Supplier</b>	<b>Amount</b>
<b>Total</b>	<b>5,817 <sup>1</sup></b>
USSR	2,932
Cuba	733 <sup>2</sup>
East Germany	660
Mexico	400
Peru	300 <sup>3</sup>
Bulgaria	279
Poland	220
Hungary	73
Other	220

<sup>1</sup> Assumes Ecuadorean deal included as part of 293,000-barrel increase.<sup>2</sup> Mexican oil is supplied only on a cash basis, and 150,000 barrels have been delivered thus far.<sup>3</sup> Does not include possible 660,000-barrel crude oil donation from Czechoslovakia.

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**NICARAGUA:****Oil Supply Relief**

***Increasing Soviet and Cuban donations of crude oil and a limited austerity program are easing Managua's oil problems.***

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~~According to press reports, Moscow is increasing its crude oil allotments to Managua this year by a third, more than 730,000 barrels, and Havana is increasing its quota for 1987 by two-thirds, almost 300,000 barrels.~~

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The Sandinistas late last month announced new austerity measures to reduce domestic oil consumption. The regime cut oil supplies to private institutions and holders of gasoline ration cards by 11 percent and increased gasoline and diesel fuel prices by as much as 100 percent—to about 10 cents a gallon at black-market exchange rates. In addition, government offices will be closed Saturdays to conserve energy. These measures follow a 5-percent cut in allotments and a doubling of gasoline and diesel prices in early June.

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**Comment:** The new commitments should give Nicaragua enough oil for the remainder of the year, although supplies will be tight.

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The austerity measures will have only a limited effect on demand. Strict enforcement of the 11-percent cut for the civilian sector may be untenable because civilian fuel supplies already have been cut to the bone. Fuel prices remain too low despite increases to reduce demand for gasoline significantly.

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The increase in Soviet and Cuban oil assistance follows Managua's unsuccessful attempts to arrange significant deliveries from Latin American and other oil suppliers. While Moscow will continue to urge Managua to look elsewhere for additional aid, its willingness to allocate additional oil demonstrates a continuing firm commitment to the Sandinistas.

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**SRI LANKA-INDIA: Progress on Peace Accord**

***India and Sri Lanka have met to plan the first steps in implementing the July peace accord to end Sri Lanka's ethnic strife but are facing new resistance from Sri Lanka's Tamil groups.*** [redacted]

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Sri Lankan officials appeared optimistic last week following discussions in New Delhi on the composition of the interim provincial council for Sri Lanka's Northern and Eastern Provinces, according to the US Embassy in New Delhi. [redacted]

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NO [redacted] says the negotiators also addressed international aspects of the accord, including relations between Israel and Sri Lanka and access by foreign warships to the island. The Indian and Sri Lankan representatives are scheduled to meet again in Colombo later this month, according to the press. [redacted]

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Meanwhile, the Tamils are beginning to cause problems for Indian troops on the island. Press reports indicate clashes have broken out between the dominant Tamil group, the Liberation Tigers of Tamil Eelam, and another Tamil organization. In addition, the Tigers held peaceful demonstrations Monday outside Indian military camps in Jaffna, charging that the Indians are allowing rival Tamil groups to carry arms and move about freely. The Tigers sponsored a strike in eastern districts last Friday in support of local Muslims allegedly being harassed by Sri Lankan security forces. Indian military forces patrolled the streets to maintain calm. [redacted]

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**Comment:** New Delhi and Colombo continue to project movement on the peace accord, at least for public consumption, but they may be beginning to doubt that they will get Tamil cooperation. The Tigers probably are attempting a show of strength against the Indian forces as a reminder to New Delhi that agreement of the Tigers is needed for the accord to succeed. New Delhi will press the Tamils to abide by the accord but will continue to direct its troops to use caution in security incidents that might evolve into major clashes between Indian troops and local civilians. [redacted]

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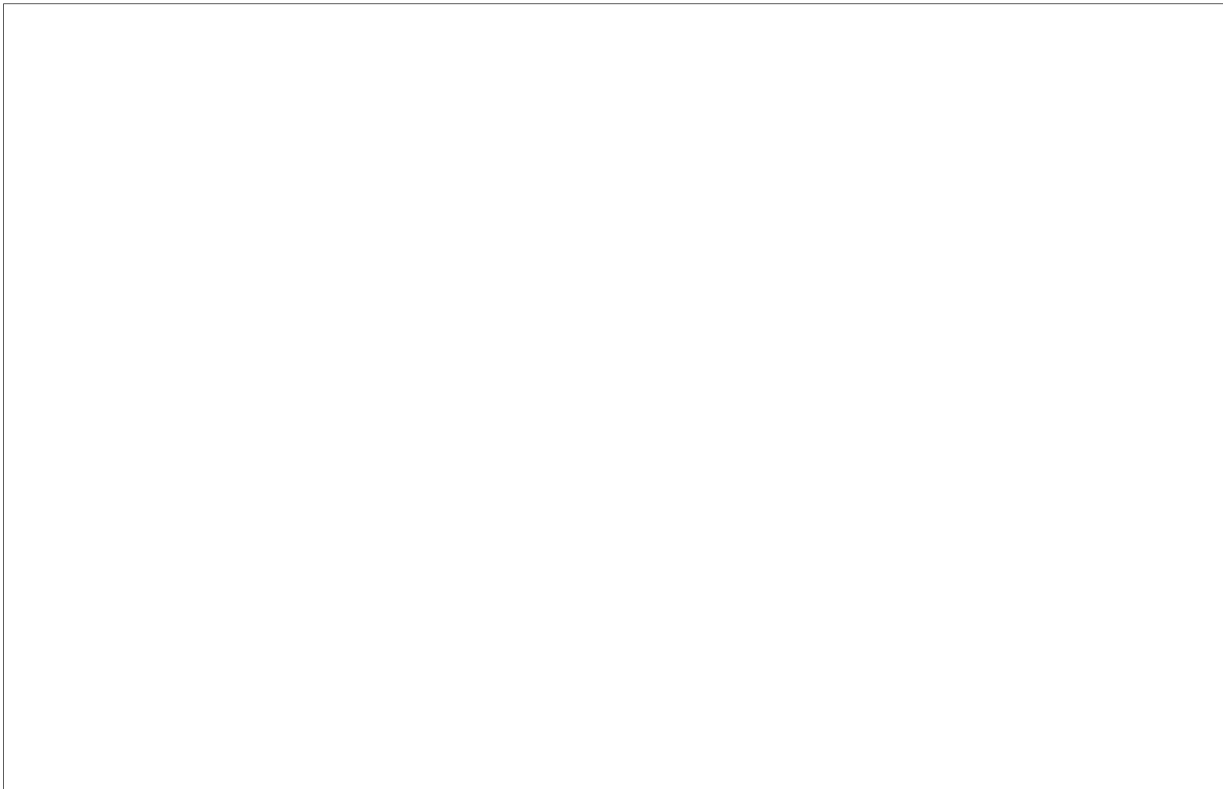
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**ZIMBABWE: Mugabe Under Fire**

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Zimbabwean Prime Minister Mugabe has faced unprecedented criticism within his ruling Zimbabwe African National Union in recent months. [redacted] The ruling party last month rejected a proposal by Joshua Nkomo's opposition Zimbabwe African People's Union that would have united the two parties. The plan had been backed by Mugabe but was opposed by senior members of his party increasingly critical of the Prime Minister's handling of party affairs. [redacted]

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**Comment:** The two parties have been discussing unity intermittently for several years; the breakdown of the talks is a setback for Mugabe and will almost certainly put the issue to rest for now. Although Mugabe has long favored a one-party state, he probably is unwilling to confront other party leaders at a time when his leadership is under criticism. Moreover, he is increasingly preoccupied with pressing domestic concerns. The economy is likely to contract at least 3 percent this year, portions of the country are suffering from serious drought, and security problems are increasing because of dissidence in the southwest and RENAMO cross-border raids from Mozambique.

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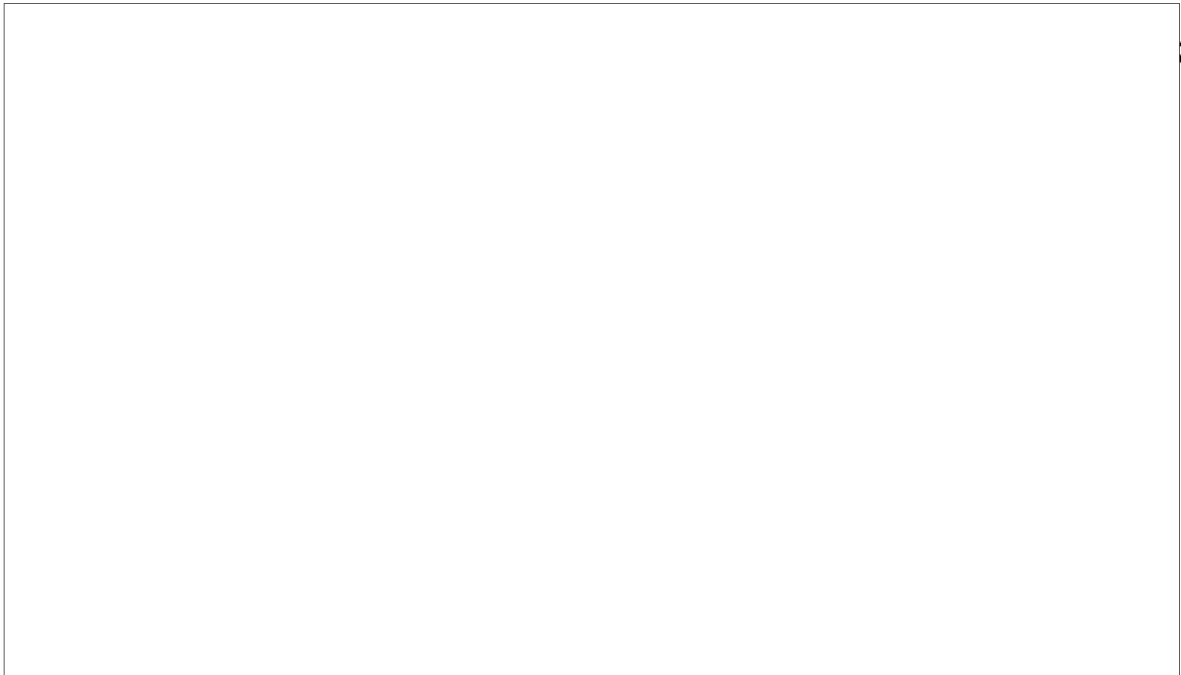
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### **PHILIPPINES: Military Support for Honasan Growing**

Colonel Honasan, leader of the unsuccessful coup on 28 August, remains at large and enjoys increasing support from Philippine military personnel throughout the country, according to [redacted]

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[redacted] His informal support network, concentrated in the regions north of Manila and in the Bicol region and Cebu island south of the capital, is dominated by fellow graduates of the Philippine Military Academy. [redacted]

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**Comment:** The extent of the rebel support network seriously complicates any effort to capture Honasan and other rebel leaders. Much of the military's intelligence community, for example, has privately voiced its support for Honasan. Moreover, relatively few soldiers would probably agree to hunt down the rebel leader. The military's increasingly open sympathy and support for Honasan and the rebels' grievances suggest that, in the event of another coup attempt, far fewer officers will sit on the sideline. [redacted]

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**Distribution of Seats in Danish Parliament**

	1987	1984
<b>Nonsocialist government</b>	70	77
Conservative Party <sup>1</sup>	38	42
Liberal Party <sup>1</sup>	19	22
Center Democratic Party <sup>1</sup>	9	8
Christian People's Party <sup>1</sup>	4	5
<b>Support parties</b>	20	16
Progress Party <sup>1</sup>	9	6
Radical Liberal Party <sup>1 2</sup>	11	10
<b>Socialist</b>	85	82
Social Democratic Party <sup>2</sup>	54	56
Socialist People's Party <sup>2</sup>	27	21
Socialist Left Party <sup>2</sup>	0	5
Common Course <sup>2</sup>	4	0
<b>Other</b>	4	4
Greenland	2	2
Faroe Islands	2	2
<b>Total</b>	179	179

<sup>1</sup> Domestic policy majority.<sup>2</sup> Security policy majority.

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**DENMARK: Government Barely Survives Election**

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Prime Minister Schlueter's conservative-led coalition emerged from yesterday's election weakened but still in power. In addition to the center-left Radical Liberal Party, which will only provide support on domestic issues, Schlueter must now rely on the far-right Progress Party to build a parliamentary majority for domestic policies. From the opposition, the Social Democrats will continue to command an alternative leftist majority on security issues.

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NO

**Comment:** Schlueter must proceed cautiously to win support from both Progress and the Radicals; the latter have at least once pledged not to support a government dependent on the Progress Party, which favors sweeping antitax and anti-immigration policies. A deadlock between the two could bring down the government and usher in another election. The election's biggest winner was the anti-NATO Socialist People's Party—now Denmark's third largest—while the Social Democratic Party continued its decline. The leftist security policy majority will continue to prevent Schlueter from strongly supporting NATO policies in such areas as conventional force improvements, SDI, and chemical weapons.

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**URUGUAY: Possible Human Rights Referendum**

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Progress by the Uruguayan left in forcing a plebiscite on the amnesty granted the military last year for human rights abuses threatens to revive the politically contentious issue. the Communist Party—the main force behind the movement to overturn the law—has more than enough signatures to force a referendum. A leftist deputy, however, told the US Embassy that organizers still need 20,000 of the 550,000 required signatures. According to a ruling Colorado Party legislator, the government is trying to devise a strategy to protect the amnesty.

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NO

**Comment:** Repeal of the law would raise the specter of divisive human rights trials and jeopardize more than two years of work by President Sanguinetti to consolidate military support for Uruguay's democracy. The government will work first to have the Electoral Court disqualify enough signatures on technicalities to avoid a plebiscite. If this fails, Sanguinetti might alter the electoral law to make voting in the plebiscite mandatory, thus mobilizing the majority of the electorate that almost certainly wants to retain the measure.

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**TAIWAN-WEST GERMANY-US: Improving Fighter Aircraft**

Taiwan is negotiating with US and West German firms to modify 48 F-104 fighter aircraft to fire US Sparrow missiles or Taiwan's similar air-to-air missiles. [redacted]

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NO [redacted] Modifications being discussed include the installation of US APG-67 radar—a version of which will be installed in Taiwan's Indigenous Defense Fighter, currently under development—and new strengthened wings. Taiwan turned to the West German firm Messerschmitt-Boelkow-Blohm to provide the wings after an Italian company backed out, reportedly under pressure from China. [redacted]

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**Comment:** Taiwan probably anticipates rejection of its request to purchase US F-16s and sees the F-104 upgrade as a stopgap until it can begin fielding its Indigenous Defense Fighter. The development schedule for that aircraft has slipped; it probably will not be ready for deployment until the second half of the 1990s—about the same time as China's new-generation fighter, reportedly being designed with Israeli assistance. Equipped with the US radar and sophisticated missiles, Taiwan's F-104s would be a match for the new Chinese fighter in beyond-visual-range combat. [redacted]

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**JAPAN: Superconductor Funding**

NO Japan's Ministry of Trade and Industry, Ministry of Education, and Science and Technology Agency have requested \$40 million for high-temperature superconductivity research in FY 1988. The S&T Agency has asked for \$15 million to start a three-year, \$130 million upgrade of its laboratories and to open them to industrial and academic researchers, according to US Embassy and press reporting. The Trade Ministry requested \$23 million, which includes \$1.3 million for a research foundation open to any contributing firm—domestic or foreign—and \$9 million to start a nine-year, \$200 million project to develop superconducting generators. The Education Ministry is seeking \$4 million to fund research costs for two faculty groups over three years, \$2 million of which would be spent in FY 1988, according to press estimates. [redacted]

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**Comment:** The S&T Agency and the Trade Ministry are trying to increase their influence over what is already a large research and development effort by Japanese industry. Both are likely to see their requests trimmed by the Finance Ministry, with the generator project, in which high-temperature superconductivity would probably play a minor role, particularly vulnerable. Both agencies are allowing foreign participation in their projects and stressing fundamental research. [redacted]

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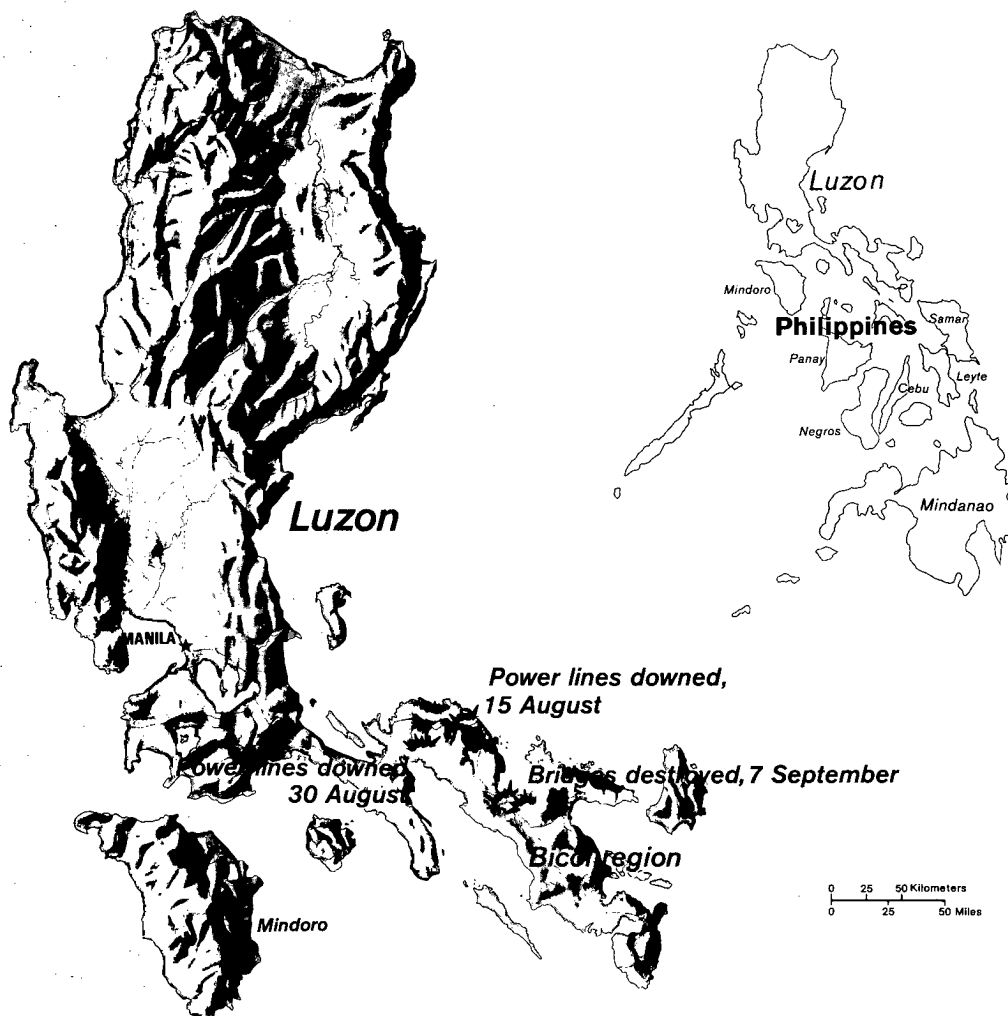
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## New People's Army (NPA) Sabotage, Bicol Region, August-September 1987



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**In Brief****East Asia**

- **Philippine** Communist insurgents suspected in sabotage Monday of vital bridges linking Manila, eastern Bicol region, according to US Embassy . . . rebels may have sabotaged nearby powerlines last month . . . suggests rebels shifting to economic targets. X

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- **South Korea** rejected **North Korean** offer of "bilateral" talks that ultimately include US . . . reiterated proposal for strict North-South Foreign Ministers meeting . . . claims P'yongyang trying to influence decision on Olympics cohosting. X

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- Deposed **Fijian** Prime Minister Bavadra ending talks with Fijian party, Governor General on forming caretaker government . . . concerned about personal safety following attacks on ousted officials . . . probably also hesitant to accept minority role. CW

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**Middle East**

- **Libyan** Foreign Secretary Talhi ended two-day visit to **Iraq** yesterday . . . US Embassy believes restoration of diplomatic ties imminent . . . absence of joint statement, however, suggests Tripoli hoping to avoid friction with **Iran**. X

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**Europe**

- Stockholm announced Friday that **Soviet** Prime Minister Ryzhkov will visit **Sweden** 11 to 14 January . . . continues warming trend in bilateral relations . . . first official visit by a Soviet head of government to Sweden in 20 years. X

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- Serbs demonstrated in **Yugoslavia** after ethnic **Albanian** killed four soldiers in barracks rampage . . . press suggesting Albanian nursed nationalist grudges . . . ethnic tensions high despite national party efforts to promote calm. CW

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**USSR**

- **Soviet** Politburo member Aliyev, absent since heart attack in May, appeared at Moscow Book Fair yesterday . . . Brezhnev protege, reportedly under investigation for corruption recently . . . probably still under political cloud. CW

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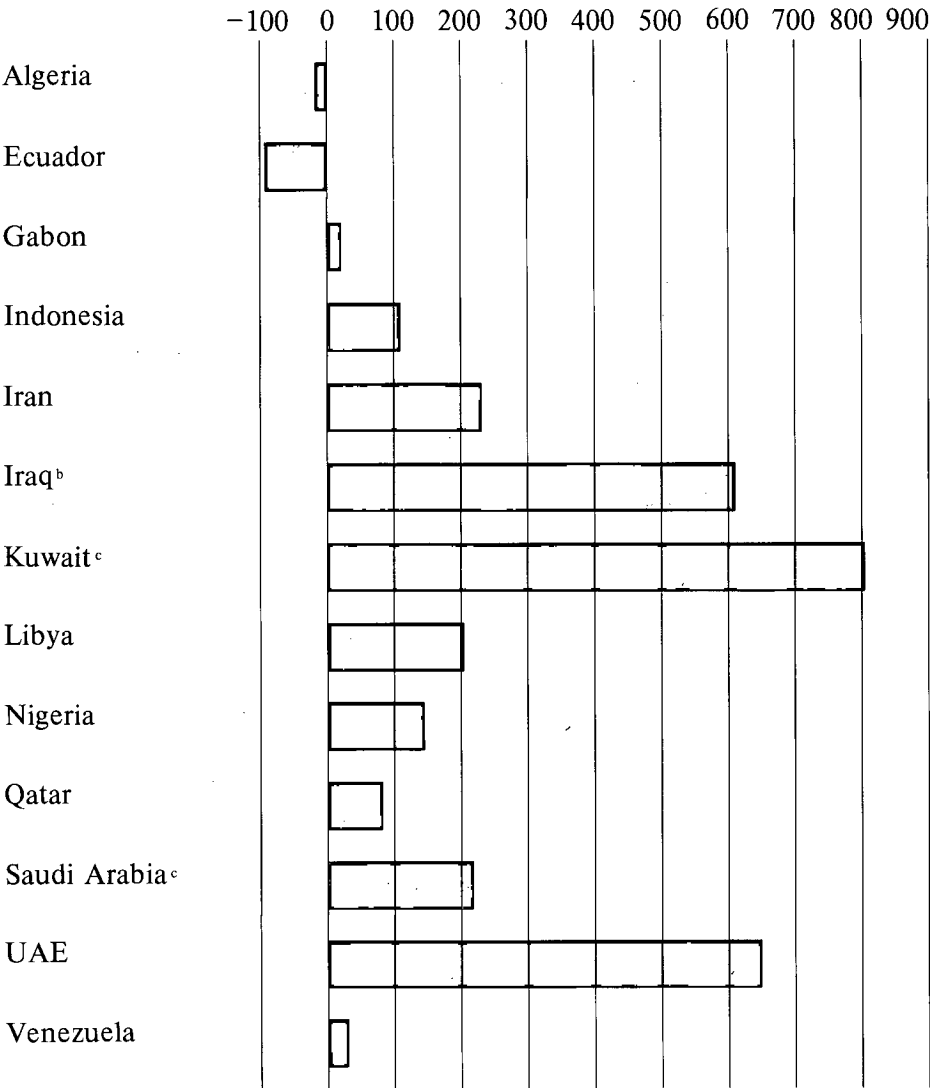
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OPEC: Variance From Quota, August 1987

Thousand b/d<sup>a</sup>



<sup>a</sup> For second half of 1987.  
<sup>b</sup> Iraq is not party of the quota agreement. Figure shown is what other members assigned to Iraq.  
<sup>c</sup> Excludes production from the Neutral Zone.



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**Special Analysis****OPEC-  
SAUDI ARABIA:****Meeting To Address Overproduction**

*Increasing tensions between OPEC members may make it difficult for the organization to reduce overproduction, limiting the effectiveness of tomorrow's emergency meeting of OPEC's production-monitoring and price committees. The cartel's crude oil output totaled about 20 million barrels per day last month, as compared with its production ceiling of 16.6 million b/d. Such overproduction has caused spot prices to fall about \$3 per barrel in recent weeks.*

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Nearly every OPEC producer exceeded its quota last month. The biggest violators were Kuwait, the UAE, and Iraq. None of these three will attend tomorrow's meeting, raising doubt about the effectiveness of the session.

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Saudi Arabia's continued commitment to the production accord reached in June will be necessary for OPEC to hold the line on prices. Despite speculation that Riyadh will punish Iran for instigating the riots in Mecca by raising oil production and weakening prices, there have been no fundamental changes in Saudi oil policy. Riyadh turned away some customers last month to stay within its quota, was among the first OPEC member to call for action to stem overproduction, and reportedly is considering ways to curtail Iraqi exports through Saudi Arabia.

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Saudi-Iranian tensions, however, might hamper efforts to hammer out a workable scheme to maintain prices. Cooperation between Riyadh and Tehran has been instrumental in OPEC's ability to formulate policy at recent meetings. If renewed Iraqi attacks on Iranian oil tankers and facilities make Iran less willing to reduce output and support prices, Arab producers on the Persian Gulf—particularly Saudi Arabia—will be under increased pressure to absorb a reduction.

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Saudi Arabia must receive cooperation from Kuwait and the UAE to hold the agreement together, and Riyadh will probably press these nations to curb output. Disunity among the three nations reportedly prolonged the OPEC ministerial session last June. Kuwait has become increasingly independent on oil policy and may still be embittered about Saudi Arabia's compromise with Iran regarding the group's production ceiling at the meeting in June.

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Iraq has the ability to increase exports by about 400,000 b/d via its expanded pipeline through Turkey and will try to do so in the months ahead. To expand its market share, Iraq reportedly has begun to link its prices to the spot price of competitor crudes for the first time this year. This move may encourage other members to offer discounts again, which they have largely refrained from doing this year.

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At current production levels—estimated to be about a million b/d above underlying demand—producers will be forced either to accept reduced exports to support prices or to cut prices to maintain market share. Saudi Arabia probably would be willing to take the bulk of the production cutback temporarily, as it did last March, but Riyadh is not willing to be the group's sole swing producer. Without broader cooperation within OPEC, prices might fall below \$18 per barrel over the next several months.

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**Special Analysis****SOUTH KOREA:****Political Jitters**

***Declining confidence in Roh Tae Woo's presidential prospects is aggravating splits in the ruling party and increasing criticism from hardliners over the consequences of political reform. Roh is planning a trip to the US and possibly new political initiatives to give impetus to his candidacy. The military still appears reluctant to get involved in the political turmoil despite widespread rumors of a "fall crisis."***

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Most ruling-party members see no alternative to a direct presidential election in December, but their concerns about the outcome and possible intervention by the military to prevent the contest have deepened because of Roh's poor chances.

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even a key Roh strategist is deeply pessimistic.

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Worry among many ruling-party legislators about their careers also is complicating Roh's election tactics. Some are challenging Roh's inner circle over timing and funding of the next legislative election. Some want the election to coincide with the presidential contest in December, hoping to drain opposition finances and avoid the risks of running for office in the wake of a Roh defeat. Others, including Roh's advisers, want to hold the legislative election in February to avoid diverting party—and government—efforts from the presidential campaign.

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Financing Roh's election also seems to be a major headache. President Chun reportedly continues to keep tight rein on his own political funds, and businessmen are resisting pressure to make large "contributions."

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Some party leaders reportedly speculate that presidential and parliamentary election costs could exceed \$1 billion.

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**The Two Kims' Rivalry**

Differences within the opposition camp appear similarly divisive, with Kim Young Sam and Kim Dae Jung locked in battle over the

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presidential nomination. Kim Dae Jung insists the nomination issue be settled next month after he completes several provincial appearances, beginning with a trip to his home region this week. Kim Young Sam wants a decision this month, and party insiders reportedly say both factions are preparing campaign materials attacking each other. [REDACTED]

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### Fall Crisis Rumors

Both sides fear student and labor unrest might prompt the military to intervene to restore order. [REDACTED]

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[REDACTED] According to a contact of the US Embassy, the two Kims, to forestall early intervention by worried hardliners, have even taken steps to bolster Roh. [REDACTED]

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Many South Korean political observers believe the luster of Roh's promised "political reforms" has faded. His "private" visit to Washington next week—and hints of more political announcements while he is here—is clearly an attempt to recapture the spotlight, regenerate his campaign, and affirm his commitment to democracy and security. [REDACTED]

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President Chun does not appear to be helping. His campaign against "pro-Communist" elements has revived apprehension he might provoke a domestic crisis, justifying martial law or other extraordinary measures. Since last week, the government has arrested dozens of former student activists turned factory workers and other dissidents for allegedly masterminding recent labor unrest, along with hundreds of strikers—including union leaders—involved in violence. [REDACTED]

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Despite this crackdown, military leaders still appear reluctant to intervene unless domestic order slips badly. Nonetheless, the speculation about Chun's intentions, Roh's faltering campaign, and prospects for more student and labor unrest create an atmosphere in which speculation about a "September-October crisis" could be self-fulfilling. [REDACTED]

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